



**1998**

Los Angeles Revitalization Zone  
Business Booklet

**This booklet contains:**

**FTB 3806**, Los Angeles Revitalization Zone Deduction and Credit  
Summary

Members of the Franchise Tax Board

Kathleen Connell, Chair

Johan Klehs, Member

B. Timothy Gage, Member



**State of California  
Franchise Tax Board**

# Instructions for Los Angeles Revitalization Zone Businesses

## — Form FTB 3806

References in these instructions are to the Internal Revenue Code (IRC) as of **January 1, 1998**, and to the California Revenue and Taxation Code (R&TC).

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### General Information

California has established 5 types of economic development areas that have related tax incentives:

- Enterprise Zones;
- The Los Angeles Revitalization Zone (LARZ);
- Local Agency Military Base Recovery Areas (LAMBRAs);
- Manufacturing Enhancement Areas (MEAs); and
- The Targeted Tax Area (TTA).

A business may qualify for special deductions and credits if it operates or invests in a trade or business located within the geographic boundaries of one of these economic development areas.

California statutes require the Franchise Tax Board (FTB) to provide information to the California Legislature and the Trade and Commerce Agency (TCA) regarding the number of businesses using the economic development area tax incentives, types of economic development area tax incentives being used and the economic development areas in which the businesses are claiming the tax incentives. **Note:** In order to help us meet this requirement, please be sure to attach form FTB 3806, Los Angeles Revitalization Zone Deduction and Credit Summary, to your California tax return.

For information about:

- Enterprise zone tax incentives, get FTB 3805Z, Enterprise Zone Business Booklet;
- LAMBRA tax incentives, get FTB 3807, Local Agency Military Base Recovery Area Business Booklet;
- The MEA hiring credit, get form FTB 3808, Manufacturing Enhancement Area Hiring Credit; or
- TTA tax incentives, get FTB 3809, Targeted Tax Area Business Booklet.

For purposes of this booklet, the term "pass-through entity" refers to an S corporation, an estate or trust, a partnership and a limited liability company (LLC) taxed as a partnership.

### A What's New

#### IMPORTANT!!!

The LARZ (geographic area) expired on December 1, 1998. Generally, no further LARZ tax incentives can be generated for taxable or income years ending on or after December 1, 1998. However, there are certain exceptions. These include:

- The net interest deduction for interest received on or before November 30, 1998; and
- Certain tax incentives from 1997 fiscal year pass-through entities.

Any LARZ credit carryover or LARZ NOL carryover can be utilized to the extent of business income apportioned to the former LARZ.

Taxpayers who receive a LARZ construction hiring credit, general hiring credit or sales or use tax credit in their taxable or income year beginning on or after January 1, 1998, from a fiscal year pass-through entity with a taxable or income year beginning before January 1, 1998, (1997 fiscal year pass-through entity) **may not** claim these credits in their taxable or income year beginning on or after January 1, 1998. These credits may only be claimed in taxable or income years beginning **before** January 1, 1998. **Note:** If you receive any LARZ credit from a 1997 fiscal year pass-through entity, then see the specific credit instructions for certain income adjustments that you should make.

Taxpayers with 1998 taxable or income years ending **before** December 1, 1998, **may** claim the LARZ business expense deduction. Also, taxpayers who receive a LARZ business expense deduction in their taxable or income year beginning on or after January 1, 1998, from a 1997 fiscal year pass-through entity **may** utilize the deduction. **Note:** The LARZ business expense deduction election is made at the entity level.

Taxpayers who receive a loss from a 1997 fiscal year pass-through entity operating in the LARZ **may not** elect a LARZ NOL for their taxable or income year ending on or after December 1, 1998. **Note:** The LARZ NOL election is not made at the entity level but at the investor (shareholder, beneficiary, partner or member) level.

For more information, see the part in this booklet that explains the specific tax incentive.

**Conformity.** In general, California tax law conforms to the Internal Revenue Code (IRC) as of January 1, 1998. However, there are continuing differences between California and federal tax law. California has not conformed to the changes made to the IRC by the federal Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (Public Law 105-206) and the Tax and Trade Relief Extension Act of 1998 (Public Law 105-277).

**Principal Business Activity Code Chart.** In 1998, the FTB implemented the new principal business activity (PBA) code chart that is based on the North American Industry Classification System (NAICS). The PBA code chart is provided in this booklet (pages 17 through 19) and in your California and federal tax booklets. The use of this system replaces the use of the Standard Industrial Classification (SIC) for purposes of business classification. However, the SIC continues to be used where specifically referenced in California tax law.

### B Los Angeles Revitalization Zone

The LARZ was established to aid economic development in areas that suffered damage during the civil unrest that occurred in the County of Los Angeles during April and May 1992. The LARZ became operative on May 1, 1992, and applies to businesses with taxable or income years beginning on or after January 1, 1992. The LARZ expired on December 1, 1998.

Businesses operating within the LARZ do not need to receive prior approval to take advantage of the special tax incentives.

### C Purpose

Use this booklet to determine the correct amount of deductions and credits that the business may claim for operating or investing in a trade or business within the LARZ. Complete the worksheets in this booklet for each deduction or credit for which the business is eligible. Then enter the total deductions and credits on form FTB 3806.

### D How to Claim Deductions and Credits

To claim any LARZ deduction or credit, the business **must attach** form FTB 3806 (included in this booklet) to its California tax return.

**Attach a separate form FTB 3806 for each business you operate or invest in that is located in the LARZ.**

To assist with the processing of the tax return, indicate that the business operates or invests within the LARZ by doing the following:

**Form 540 filers:** Write "LARZ" in the top left margin of Side 1 of Form 540.

- Form 540NR filers:** Write "LARZ" in the top left margin of Side 1 of Form 540NR.
- Form 100 filers:** Claim LARZ incentives on Form 100, line 14, line 20 and line 24 through line 27, as applicable.
- Form 100S filers:** Claim LARZ incentives on Form 100S, line 12, line 19 and line 23 through line 26, as applicable.
- Form 109 filers:** Check the "yes" box for the enterprise zone, LARZ, LAMBRA, MEA or TTA question on the top of Side 1 of Form 109.

**Note:** Be sure to keep all completed worksheets and supporting documents for your records.

## E Geographic Boundaries

The geographic boundaries of the LARZ are used to determine whether tax incentives are available to a business in a particular location. Information about the geographic boundaries of the LARZ is available from the individual communities listed below.

For information about the geographic boundaries of the LARZ, call:

Compton . . . . .	(310) 605-5580
Hawthorne . . . . .	(310) 970-7939
Huntington Park . . . . .	(213) 582-6161, ext. 258
Inglewood . . . . .	(310) 412-5290
Lawndale . . . . .	(310) 970-2130
Long Beach . . . . .	(562) 570-3871
Los Angeles . . . . .	(213) 485-2956
Lynwood . . . . .	(310) 603-0220, ext. 253
Pomona . . . . .	(909) 620-3760
Signal Hill . . . . .	(562) 989-7342
Unincorporated LA County . . . . .	(213) 890-7203

If your business is located both within and outside the LARZ, see Part V on page 9 for instructions on how to apportion business income.

## F Forms Table

The titles of forms referred to in this booklet are:

Form 100	– California Corporation Franchise or Income Tax Return
Form 100S	– California S Corporation Franchise or Income Tax Return
Form 109	– California Exempt Organization Business Income Tax Return
Form 540	– California Resident Income Tax Return
Form 540NR	– California Nonresident or Part-Year Resident Income Tax Return
Form 541	– California Fiduciary Income Tax Return
Form 565	– Partnership Return of Income
Form 568	– Limited Liability Company Return of Income
Schedule CA	– California Adjustments — Residents
Schedule CA (540NR)	– California Adjustments — Nonresidents or Part-Year Residents

- Schedule P – Alternative Minimum Tax and Credit Limitations
- Schedule R – Apportionment and Allocation of Income

## Part I Hiring Credits

No new LARZ construction or general hiring credits may be generated in taxable or income years beginning on or after January 1, 1998. However, LARZ construction and general hiring credit carryovers may still be claimed for 15 years from the year the credit was generated.

Taxpayers who receive a LARZ construction hiring credit or general hiring credit in their taxable or income year beginning on or after January 1, 1998, from a 1997 fiscal year pass-through entity **may not** claim these credits in their taxable or income year beginning on or after January 1, 1998. These credits can only be claimed for taxable or income years beginning **before** January 1, 1998.

For investors in 1997 fiscal year pass-through entities that have generated a LARZ hiring credit, the pass-through entity's wage deduction has been reduced by the amount of the LARZ hiring credit. In cases where the fiscal year pass-through entity generated a LARZ hiring credit, the investors may decrease their distributive or pro rata share of ordinary income from the pass-through entity by their distributive or pro rata share of the LARZ hiring credit.

In addition, the investor should attach a statement to form FTB 3806 that includes the following information:

- An explanation of the inconsistent treatment of ordinary income and credit(s) from the pass-through entity;
- The pass-through entity name and tax identification number; and
- The distributive or pro rata share of the credit amount(s).

## Recapture of the Construction Hiring Credit and General Hiring Credit

The employer must recapture the amount of credit attributable to an employee's wages if the employer terminates the employee at any time during the longer of:

- The first 270 days of employment (whether or not consecutive); or
- 90 days of employment plus 270 calendar days.

A day of employment means any day for which the employee receives wage compensation (including a paid sick day, holiday or vacation day).

The employer must add to the current year's tax the recaptured amount of credit claimed in the year of termination and all prior years in which the credit was claimed for the terminated employee.

**Note:** The credit recapture does not apply if the termination of employment was:

- Voluntary on the part of the employee;

- In response to misconduct of the employee as determined by the applicable employment compensation provisions;
- Caused by the employee becoming disabled (unless the employee was able to return to work and the employer did not offer to reemploy the individual);
- Carried out so that other qualified individuals could be hired, creating a net increase in the number of qualified employees and their hours worked;
- Due to a contractual agreement (applies only to the LARZ construction hiring credit); or
- Caused by a substantial reduction in the trade or business operations of the employer.

## Instructions for Worksheet I — Recapture of the Construction Hiring Credit and General Hiring Credit

**Line 1, column (a)** – Enter the name of the terminated employee. Attach an additional schedule(s) if necessary.

**Line 1, column (b) and column (c)** – Enter the amount of credit recapture for each employee. If the construction hiring credit was claimed, enter the amount in column (b). If the general hiring credit was claimed, enter the amount in column (c).

**Line 2** – Enter the total from line 2, column (b) on form FTB 3806, Side 1, line 6. Enter the total from line 2, column (c) on form FTB 3806, Side 1, line 7.

Also, include the amount of hiring credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5;
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 23;
- Form 109, Schedule K, line 4;
- Form 540, line 36;
- Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Indicate that you included the hiring credit recapture on your tax return by writing "FTB 3806" in the space provided on the schedule or form.

Partnerships and limited liability companies (LLCs) taxed as partnerships must identify the recapture amounts for their partners and members on Schedule K-1 (565 or 568).

S corporation shareholders must recapture the portion of credit that they previously claimed, based on the terminated employee's wages. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J.

**Worksheet I**   Recapture of the Construction Hiring Credit and General Hiring Credit

(a) Terminated employee's name		(b) Construction hiring credit recapture	(c) General hiring credit recapture
1			
2   Total amount of credit recapture. Add the amounts in column (b) and column (c). See instructions. . . . .		2	

## Part II Sales or Use Tax Credit

No new LARZ sales or use tax credits may be generated in taxable or income years beginning on or after January 1, 1998. However, LARZ sales or use tax credit carryovers may still be claimed for 15 years from the year the LARZ credit was generated.

Taxpayers who receive a LARZ sales or use tax credit in their taxable or income year beginning on or after January 1, 1998, from a 1997 fiscal year pass-through entity **may not** claim these credits in their taxable or income year beginning on or after January 1, 1998. These credits can only be claimed for taxable or income years beginning **before** January 1, 1998.

Investors in 1997 fiscal year pass-through entities that have generated a LARZ sales or use tax credit will need to adjust net income received from the pass-through entity over the life of the asset(s) on which the credit was based. The adjustment will decrease net income by their distributive or pro rata share of the difference between the depreciation expense with the credit basis reduction and the depreciation expense without the credit basis reduction. This information must be obtained from the pass-through entity.

In addition, the investor should attach a statement to form FTB 3806 that includes the following information:

- An explanation of the inconsistent treatment of ordinary income and credit(s) from the pass-through entity;
- The pass-through entity name and tax identification number; and
- The distributive or pro rata share of the credit amount(s).

### Sales or Use Tax Credit Recapture

The full amount of the credit must be recaptured (added back to the tax liability) in the year of disposition or nonuse if the property is disposed of or no longer in use in the LARZ before the close of the second taxable or income year after the property was placed in service.

### Instructions for Worksheet II — Sales or Use Tax Credit Recapture

**Line 1, column (a)** – Enter a description of the property. Attach an additional schedule(s) if necessary.

**Line 1, column (b)** – Enter the amount of the sales or use tax credit that must be recaptured.

**Line 2** – Enter the amount from line 2, column (b) on form FTB 3806, Side 1, line 8.

Also include the amount of sales or use tax credit recapture on your California tax return or schedule as follows:

- Form 100, Schedule J, line 5;
- Form 100S, Schedule J, line 5 and Schedule K-1 (100S), line 23;
- Form 109, Schedule K, line 4;
- Form 540, line 36;
- Form 540NR, line 45;
- Form 541, line 21b and Schedule K-1 (541), line 11e;
- Form 565, Schedule K, line 22 and Schedule K-1 (565), line 22; or
- Form 568, Schedule K, line 22 and Schedule K-1 (568), line 22.

Indicate that you included the sales or use tax recapture on the tax return by writing "FTB 3806" in the space provided on the schedule or form.

S corporations and their shareholders must recapture the portion of credit that was previously claimed. S corporations must also identify the recapture amount for shareholders on Schedule K-1 (100S). This amount will differ from the amount recaptured by the S corporation on Form 100S, Schedule J. Partnerships and LLCs taxed as partnerships should also identify the recapture amount for partners and members on Schedule K-1 (565 and 568).

#### Worksheet II Sales or Use Tax Credit Recapture

		(a) Property description	(b) Recapture amount
1			
2	Total amount of credit recapture. Add the amounts in column (b). See instructions . . . . .	2	

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## Part III Business Expense Deduction

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Taxpayers with 1998 taxable or income years ending **before** December 1, 1998, **may** claim the LARZ business expense deduction. Also, taxpayers who receive a LARZ business expense deduction in their taxable or income year beginning on or after January 1, 1998, from a 1997 fiscal year pass-through entity **may** utilize the deduction. **Note:** The LARZ business expense deduction election is made at the entity level.

LARZ businesses described above may elect to treat the cost of qualified property as a LARZ business expense deduction rather than a capital expense. For the year the property is placed in service, the business may deduct the cost in that year rather than depreciate it over several years.

**Note:** Estates and trusts are not allowed to claim the LARZ business expense deduction.

**Qualified property** is IRC Section 1245 property acquired by purchase, placed in service on or after September 1, 1992, and before December 1, 1998, and used exclusively in a trade or business within the LARZ. Qualified property includes, but is not limited to, tangible personal property (excluding buildings and inventory). Most equipment and furnishings purchased for exclusive use within the LARZ qualify for the deduction.

If the expense election is made, the business must treat the cost of qualified property as a business expense in the year the property is first placed in service. However, the LARZ business expense deduction is not allowed if the property was:

- Transferred between members of an affiliated group;
- Acquired as a gift or inherited;
- Traded for other property;
- Received from a personal or business relation as defined in IRC Sections 267 and 707(b); or
- Described in IRC Section 168(f).

**Limitations:** If you elect to expense qualified property, you may not claim the manufacturers' investment credit for that property.

**Depreciation.** The basis of the property (for depreciation purposes) must be reduced by the amount allowed as a LARZ business expense deduction.

**Election.** The LARZ business expense deduction must be claimed by making an election on the original return filed, and thus cannot be claimed on an amended return. Such an election cannot be revoked without the written consent of the FTB.

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### Instructions for Worksheet III — Business Expense Deduction & Recapture

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#### Section A — Deduction Computation

**Line 1, column (a)** — Enter a description of the property and the location (street address and city) of its use. Attach an additional schedule(s) if necessary.

**Line 1, column (b)** — Enter the cost of the qualified property listed in column (a).

**Line 2** — Enter the amount from line 2, column (b) on form FTB 3806, Side 1, line 2, and on your California tax return or schedule as follows:

- Form 100, line 14;
- Form 100S, line 12, Form 100S, Schedule K, line 8 and Schedule K-1 (100S), line 8;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 565, Schedule K, line 9 and Schedule K-1 (565), line 9; or

- Form 568, Schedule K, line 9 and Schedule K-1 (568), line 9.

**Note:** If filing Form 540 or Form 540NR, indicate that you are claiming the business expense deduction by writing "FTB 3806" below the dotted line to the left of Form 540, line 14 or Form 540NR, line 14.

#### Section B — Deduction Recapture

The deduction is subject to recapture (added back to income) if, before the close of the second taxable or income year after the property was placed in service, the property is sold, disposed or no longer used exclusively in the LARZ. In that case, add to current year income the amount previously deducted for that property.

**Line 1, column (a)** — Enter a description of the property. Attach an additional schedule(s) if necessary.

**Line 1, column (b)** — Enter the amount of the business expense deduction claimed for the property that must be recaptured.

**Line 2** — Enter the amount from line 2, column (b) on form FTB 3806, Side 1, line 9, and on your California tax return or schedule as follows:

- Form 100, line 14, as a **negative** amount;
- Form 100S, line 12, as a **negative** amount, Form 100S, Schedule K, line 6 and Schedule K-1 (100S), line 6;
- Form 109, Part I, line 12;
- Schedule CA (540), column C, on the applicable line for your business activity;
- Schedule CA (540NR), column C, on the applicable line for your business activity;
- Form 565, Schedule K, line 7 and Schedule K-1 (565), line 7; or
- Form 568, Schedule K, line 7 and Schedule K-1 (568), line 7.

**Note:** If filing Form 540 or Form 540NR, indicate that you are recapturing the business expense deduction by writing "FTB 3806" above the dotted line to the left of Form 540, line 16 or Form 540NR, line 16.

**Worksheet III** Business Expense Deduction & Recapture — Los Angeles Revitalization Zone

**Section A** Deduction Computation

	(a) Property description and location	(b) Cost
1		
2	Total. Add the amounts in column (b). This is the amount deductible as a business expense. See instructions. . . . .	2

**Section B** Deduction Recapture

	(a) Property description	(b) Recapture amount
1		
2	Total recapture amount. Add the amounts in column (b). See instructions . . . . .	2

## Part IV Net Interest Deduction for Lenders

A deduction from income is allowed for the amount of net interest received from loans made to a trade or business located within the LARZ.

**Net interest** is defined as the amount of interest received before December 1, 1998, less any direct expenses incurred in making the loan. Examples of direct expenses include, but are not limited to:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

Types of loans that qualify for this deduction include business loans, mortgages and loans from noncommercial sources. The following requirements must be met to qualify for the deduction:

- The loan must be made to a trade or business located solely within the LARZ;
- The money lent must be used strictly for the borrower's business activities within the LARZ;

- The lender may not have equity or other ownership interest in the borrower's trade or business; and
- The loan must be made on or after May 1, 1992.

**Example:** You lend \$5,000 to a LARZ business that meets the requirements listed above. You receive \$550 in interest and incur \$300 in expenses directly related to the loan. You may deduct \$250 (\$550 – \$300) of net interest from your taxable income.

**Record Keeping.** You should maintain records for each loan showing:

- The identity and location of the trade or business to which you lent the money;
- The amount of the loan, interest received and any direct expenses associated with the loan; and
- The use of the loan.

## Instructions for Worksheet IV — Net Interest Deduction for Lenders

**Line 1, column (e)** – Enter the direct expenses incurred in making the loan. Attach an additional schedule(s) if necessary. Examples of direct expenses include:

- Commissions paid to a loan representative;
- Costs incurred in funding the loan; and
- Other costs of the loan.

**Line 2** – Enter the amount from line 2, column (f) on form FTB 3806, Side 1, line 3, and on your California tax return or schedule as follows:

- Form 100, line 14;
- Form 100S, line 12, Form 100S, Schedule K, line 10 and Schedule K-1 (100S), line 10;
- Form 109, Part II, line 24;
- Schedule CA (540), column B, on line 8 or the applicable line for your business activity;
- Schedule CA (540NR), column B, on the applicable line for your business activity;
- Form 541, line 15a;
- Form 565, Schedule K, line 11 and Schedule K-1 (565), line 11; or
- Form 568, Schedule K, line 11 and Schedule K-1 (568), line 11.

### Worksheet IV Net Interest Deduction for Lenders — Los Angeles Revitalization Zone

	(a) Name and location of business to which loan was made	(b) Date of loan	(c) Amount of loan	(d) Interest received	(e) Direct expenses incurred	(f) Net interest (col. (d) minus col. (e))
1						
2	Total. Add the amounts in column (f). See instructions . . . . .					2



## Part V Doing Business Totally Within or Within and Outside the Los Angeles Revitalization Zone

The LARZ tax incentives are limited to the tax on business income attributable to operations within the zone. If the business is located totally within or within and outside of the LARZ, the portion of total business operations that are attributable to the LARZ must be determined.

Use Worksheet V, Apportionment, to determine the amount of business income apportioned to the zone. The zone business income determines the amount of the tax incentives that can be used.

Only California source business income is apportioned to the LARZ. A taxpayer's LARZ business income is its California apportioned business income multiplied by the specific LARZ apportionment percentage.

The LARZ property and payroll factors used in the determination of apportionable business income include only the taxpayer's California amounts in the denominator.

**Note:** If the business operates only within the LARZ, you do not have to complete this worksheet. Enter 100% (1.00) on line 4.

### Business Income vs. Nonbusiness Income

Only business income is apportioned to the LARZ to determine the incentive limitation. LARZ tax incentives are limited to tax on business income attributable to the operations within the LARZ.

Business income is defined as income arising from transactions and activities in the regular course of the trade or business. Business income includes income from tangible and intangible property if the acquisition, management and disposition of the property constitute integral parts of the regular trade or business operations. Non-business income is all income other than business income. Get Title 18 Cal. Code Regulation Section 25120 for further references and examples of nonbusiness income.

For an individual, business income includes but is not limited to California business income or loss from Schedules C, D, D-1 (or Form 4797, Sales of Business Property, if you did not have to file a Schedule D-1), E and F and wages. Be sure to include casualty losses, disaster losses and any business deductions reported on Schedule A as itemized deductions. **Note:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the LARZ.

In general, all transactions and activities of the business that are dependent upon or contribute to the operations of the economic enterprise as a whole constitute trade or business.

When a corporation is part of a group of corporations engaged in a unitary business, the income and apportionment factors of the unitary group

must be combined. For more information, get Schedule R. See the instructions for ordering forms on page 25.

Pass-through entities must report to their shareholders, beneficiaries, partners and members:

1. The distributive (or pro rata for S corporations) share of the business income apportioned to the LARZ; and
2. The distributive (or pro rata for S corporations) share of the business capital gains apportioned to the LARZ included in item 1.

These items should be reported using the appropriate schedules listed below:

- Schedule K-1 (100S), line 23;
- Schedule K-1 (541), line 11e;
- Schedule K-1 (565), line 22; or
- Schedule K-1 (568), line 22.

### Property Factor

Property is defined as the average value of all real and tangible personal property owned or rented by the business and used during the taxable or income year to produce business income.

**Note:** Property is included in the factor if it was available for use during the taxable or income year.

Property owned by the business is valued at its original cost. Generally, **original cost** is the basis of the property for federal income tax purposes (prior to any federal adjustment) at the time of acquisition by the business, adjusted for subsequent capital additions or improvements and partial dispositions because of sale or exchange. Allowance for depreciation is not considered.

**Rented property** is valued at 8 times the net annual rental rate. The net annual rental rate for any item of rented property is the total rent paid for the property, less aggregate annual subrental rates paid by subtenants.

The **numerator** of the property factor is the average value of the real and tangible personal property owned or rented by the business and used within the LARZ during the taxable or income year to produce LARZ business income (column (b)).

The **denominator** of the property factor is the total average value of all real and tangible personal property owned or rented and used during the taxable or income year within California (column (a)).

### Payroll Factor

Payroll is defined as the total amount paid to the business's employees for compensation for the production of business income during the taxable or income year.

**Compensation** means wages, salaries, commissions and any other form of remuneration paid directly to employees for personal services.

Payments made to independent contractors or any other person not properly classified as an employee are excluded.

### Compensation Within the LARZ

Compensation is considered to be within the LARZ if either of the following tests is met:

- The employee's services are performed within the geographical boundaries of the LARZ; or
- The employee's services are performed within and outside the LARZ, but the services performed outside the LARZ are incidental to the employee's service within the LARZ.

**Note:** Incidental means any temporary or transitory service rendered in connection with an isolated transaction.

### Compensation Within and Outside the LARZ

If the employee's services are performed both within and outside the LARZ, the employee's compensation will be attributed to the LARZ if:

- The employee's base of operations is within the LARZ; or
- There is no base of operations in any other part of the state in which some part of the service is performed, but the place from which the service is directed or controlled is within the LARZ.

**Base of operations** is the permanent place from which employees start work and customarily return in order to receive instruction from the taxpayer or communications from their customers or persons; to replenish stock or other material; to repair equipment; or to perform any other functions necessary in the exercise of their trade or profession at some other point or points.

The **numerator** of the payroll factor is the total compensation paid to employees for working within the LARZ during the taxable or income year (column (b)).

The **denominator** of the payroll factor is the total compensation paid to employees working in California (column (a)).

### Example – Computation of LARZ income assigned to each entity operating within the LARZ:

Parent Corporation A has one subsidiary, B. Corporations A and B operate within the LARZ. The combined group operates both within and outside California and apportions its income to California using Schedule R. The combined group's business income apportioned to California was \$1,000,000.

Business income apportioned to the LARZ is determined as follows:

	A	B	Combined
<b>Property Factor</b>			
LARZ property	\$2,000,000	\$1,000,000	\$3,000,000
California property			\$5,000,000
Apportionment %	40%	20%	60%
<b>Payroll Factor</b>			
LARZ payroll	\$2,000,000	\$800,000	\$2,800,000
California payroll			\$4,000,000
Apportionment %	50%	20%	70%
<b>Average Apportionment %</b>	45%	20%	65%
(Property + Payroll Factors) 2			
<b>Apportioned Business Income</b>			\$1,000,000
<b>LARZ INCOME</b>	\$ 450,000	\$ 200,000	\$ 650,000

**Worksheet V Apportionment — Los Angeles Revitalization Zone**

Use Worksheet V if your business has net income from sources within and outside the LARZ.

	(a) Total within California	(b) Total within the LARZ	(c) Percentage within the LARZ (column (b) ÷ column (a))
<b>PROPERTY FACTOR</b>			
<b>1</b> Average yearly value of owned real and tangible personal property used in the business (at original cost). See instructions on page 9. Exclude property not connected with the business and the value of construction in progress.			
Inventory . . . . .			
Buildings . . . . .			
Machinery and equipment . . . . .			
Furniture and fixtures . . . . .			
Delivery equipment . . . . .			
Land . . . . .			
Other tangible assets (attach schedule) . . . . .			
Rented property used in the business.			
See instructions on page 9 . . . . .			
<b>Total property values.</b> . . . . .			
<b>PAYROLL FACTOR</b>			
<b>2</b> Employees' wages, salaries, commissions and other compensation related to business income included in return.			
<b>Total payroll.</b> . . . . .			
<b>3</b> Total percentage (add the percentages in column (c)) . . .			
<b>4</b> Average apportionment percentage (1/2 of line 3). Enter here and on form FTB 3806, Side 1, line 5 . . . . .			

The average apportionment percentage shown on line 4 represents the portion of the taxpayer's total business that is attributable to activities conducted within the LARZ.

**Note:** Those factors with zero balances in the totals of column (a) will not be included in the computation of the average apportionment percentage. For example, if the taxpayer has no payroll within and outside the LARZ, then the average apportionment percentage would be computed by dividing line 3 by 1 (instead of by 2 as normally instructed.)

## Part VI Net Operating Loss (NOL)

Generally, no new LARZ NOLs may be generated in taxable or income years beginning on or after January 1, 1998. However, LARZ NOL carryovers may still be claimed for 15 years from the year the LARZ NOL was generated.

**Note:** Financial institutions using bad debt reserve methods may carry over the loss for a maximum of 5 income years.

Taxpayers who receive a loss from a 1997 fiscal year pass-through entity operating in the LARZ **may not** elect a LARZ NOL for their taxable or income year ending on or after December 1, 1998. **Note:** The LARZ NOL election is not made at the entity level but at the investor (shareholder, beneficiary, partner or member) level.

**Exception:** Taxpayers with taxable or income years ending before December 1, 1998, may claim a 1998 LARZ NOL. These taxpayers should use the 1997 FTB 3806, Worksheet VI, Section A or Section B, to compute their 1998 LARZ NOL.

**Limitation.** A LARZ NOL deduction can offset only business income attributable to operations within the LARZ.

**Alternative Minimum Tax.** Taxpayers claiming a LARZ NOL deduction must determine their NOL for alternative minimum tax (AMT) purposes. Use Schedule P (100, 540, 540NR or 541) to compute the LARZ NOL for AMT purposes.

**S Corporations.** LARZ NOLs incurred prior to becoming an S corporation may not be used against S corporation income. See IRC Section 1371(b).

However, an S corporation is allowed to deduct a LARZ NOL incurred after the "S" election is made. An S corporation may use the NOL as a deduction against income subject to the 1.5% entity-level tax (3.5% for financial institutions). The expenses (and income) giving rise to the loss are also passed through to the shareholders in the year the loss is incurred.

**Taxpayers Operating Within and Outside the LARZ.** Unlike the NOL treatment on a federal consolidated return, a loss carryover for one member included in a combined report may not be applied to the intrastate apportioned income of another member included in a combined report.

For water's-edge purposes, each corporation's NOL carryover is limited to the amount determined by recomputing the income and factors of the original worldwide combined reporting group as if the water's-edge election had been in force for the year of the loss. The NOL carryover may not be increased as a result of the recomputation.

## Instructions for Income or Loss Worksheet

Use the Income or Loss Worksheet on the following page to determine the amount to enter on:

- Worksheet VI, line 1 and line 6 (Form 540 and Form 540NR filers); and
- Worksheet VII, Part I, line 1 and line 3.

Do not include disaster losses in any amounts used in the table.

Only California source business income is apportioned to the LARZ.

The first step is to determine which portion of the taxpayer's net income is "business income" and which portion is "nonbusiness income," since only business income may be apportioned to the LARZ. See Part V (page 9) for a complete discussion of business and nonbusiness income.

Business income or loss reported on Schedules C, C-EZ, E and F, and other schedules are reported on line 6 through line 9. Line 11 and line 12 report business gains or losses reported on Schedules D and D-1. All business income and losses should be adjusted for any differences between California and federal amounts as shown on the Schedule CA (540 or 540NR).

### Income Computation (Use to compute zone income for Worksheet VI and Worksheet VII)

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E or F, or another schedule, is entirely in the LARZ, enter the income or loss from this activity in column (a), and enter 1.00 in column (b).

**Line 11 – Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely in the LARZ, enter the gain or loss reported in column (a) and enter 1.00 in column (b).

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E or F, or another schedule, is entirely in California, enter the income or loss from this activity in column (a). To determine the percentage figure in column (b), complete Worksheet V. Enter the figure on Worksheet V, line 4 in column (b) of this worksheet.

**Line 11 – Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted entirely in California, enter the gain or loss reported in column (a). To determine the percentage figure in column (b), complete Worksheet V. Enter the figure on Worksheet V, line 4 in column (b) of this worksheet.

**Line 6 – Line 9:** If your business operation reported on Schedule C, C-EZ, E or F, or another schedule, is within and outside the LARZ and California, get Schedule R and complete line 1 through line 13b. Enter the figure on Schedule R, line 13b in column (a) of this worksheet. To determine the percentage figure in column (b), complete Worksheet V. Enter the figure on Worksheet V, line 4 in column (b) of this worksheet.

**Note:** When computing Schedule R, disregard any reference to Form 100, Form 565 or Form 568. Also disregard any reference to Schedule R-3, Schedule R-4 or Schedule R-5, and skip line 11.

Nonresidents that have an apportioning business that operates within the LARZ should have already computed Schedule R and can use those amounts when that schedule is referenced. Residents that have an apportioning business will not have completed a Schedule R for California income tax purposes since they are taxed on income from all sources. However, in order for residents to determine their California source business income for purposes of the LARZ calculation, they must complete a Schedule R also.

**Line 11 - Line 12:** If the gain or loss reported on Schedule D or Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)) was attributed to an asset used in an activity conducted within and outside the LARZ and California, get Schedule R and complete Schedule R-1. Multiply the gain or loss reported by the percentage on Schedule R-1, line 5 and enter the result in column (a). To determine the percentage figure in column (b), complete Worksheet V. Enter the figure on Worksheet V, line 4 in column (b) of this worksheet.

## Part I – Individual Income and Expense Items

**Wages.** Taxpayers with wages from a company located within and outside the LARZ must determine the LARZ wage income by entering the percentage of their time (during the period for which the wages entered on line 1 were earned) that they worked within the LARZ. This percentage must be determined based on their record of time and events such as a travel log or entries in a daily planner.

## Part II – Pass-Through Income or Loss

**Multiple Pass-Through Entities.** If you are a shareholder, partner or member in multiple pass-through entities with businesses located within and outside the LARZ from which you received LARZ incentives, see the example below for computing business income in the LARZ.

**Example:**

Pass-through	Trade or Business Income from Schedule K-1 (100S, 541, 565 or 568)	Entity's LARZ Apportionment Percentage	LARZ Apportioned Income
ABC, Inc.	\$40,000	80%	\$32,000
A, B & C	30,000	10%	3,000
ABC, LLC	10,000	50%	5,000
			\$40,000

## Part III — Taxpayer's Trade or Business

**Business Income.** Use business income or loss from Form 1040 Schedules C, C-EZ, E and F, plus California adjustments from Schedule CA (540 or 540NR) for each trade or business. Also include business capital gains and losses from Schedule D and business gains and losses from Schedule D-1 (as adjusted on Schedule CA (540 or 540NR)).

**Line 14** — If the result on the Income or Loss Worksheet, line 14, column (c) is a **negative** amount, you do not have current year LARZ income and you cannot claim any LARZ tax incentives this year.

If the result on the Income or Loss Worksheet, line 14, column (c) is a **positive** amount and:

- You have LARZ NOL carryovers, enter the amount on Worksheet VI, line 1 and line 6

(skip line 2 through line 5). Also enter the amount from the Income or Loss Worksheet, line 14, column (c) on Worksheet VII, Part I, line 1 and line 3 (skip line 2) if you have LARZ credit carryovers.

- You do not have LARZ NOL carryovers but you do have LARZ credit carryovers, enter the amount on Worksheet VII, Part I, line 1 and line 3 (skip line 2).

### Income or Loss Worksheet — Los Angeles Revitalization Zone

#### Part I Individual Income and Expense Items. See instructions.

	(a) Amount	(b) % of time providing services in the LARZ	(c) Apportioned amount (a) x (b)
1 Wages . . . . .			
2 Employee business expenses . . . . .			
3 Subtotal: Enter the total of line 1, column (c) and line 2, column (c) in column (c), this line. . . . .			

#### Part II Pass-through Income or Loss. See instructions.

(a) Name of entity	(b) Distributive or pro rata share of business income or loss apportioned to the LARZ from Schedule(s) K-1 (100S, 541, 565 or 568) including business capital gains and losses
4	
5 Subtotal: Enter the total of line 4, column (b) in column (b), this line . . . . .	

#### Part III Taxpayer's Trade or Business. See instructions.

	(a) California business income or loss	(b) Apportionment % for the LARZ	(c) Apportioned income or loss (a) x (b)
6 Schedule C or C-EZ. . . . .			
7 Schedule E (Rentals) . . . . .			
8 Schedule F. . . . .			
9 Other . . . . .			
10 Subtotal: Enter the total of line 6 through line 9, column (c) in column (c), this line . . . . .			

	(a) California business gain or loss	(b) Apportionment % for the LARZ	(c) Apportioned gain or loss (a) x (b)
11 Schedule D. . . . .			
12 Schedule D-1 . . . . .			
13 Subtotal: Enter the total of line 11, column (c) and line 12, column (c) in column (c), this line . . . . .			
14 Total: Enter the total of line 3, line 10 and line 13, column (c) and line 5, column (b) in column (c), this line . . . . .			

## Instructions for Worksheet VI — Net Operating Loss (NOL) Carryover and Carryover Limitations

Use this worksheet to compute the LARZ NOL deduction for corporations, individuals and exempt trusts. The LARZ NOL deduction is used to reduce current year income from the LARZ.

**Note:** Taxpayers with 1998 taxable or income years ending before December 1, 1998, should use the 1997 FTB 3806, Worksheet VI, Section A or Section B, to compute a current year LARZ loss. Skip line 1 through line 6. Enter zero on line 7 and follow the instructions for line 8 through line 15.

**Line 1** – See Part V (page 9) for a discussion of business and nonbusiness income. **Note to Form 540 and Form 540NR filers:** Be sure to include casualty losses, disaster losses and any business deductions reported on Schedule A as itemized deductions. **Exception:** If you elected to carry back part or all of your current year disaster loss under IRC Section 165(i)(1), do not include the amount of the loss that was carried back in your current year business income for the LARZ.

**Line 2** – In modifying your income, deduct your capital losses only up to your capital gains. Enter any net capital losses included in line 1 as a positive number.

**Line 3** – Corporations must reduce income by the disaster loss deduction and the deduction for excess net passive income.

**Line 6** – This is your modified taxable income (MTI). Reduce this amount by your LARZ NOL deduction. The LARZ NOL deduction may not be larger than your MTI. If your MTI is a loss in the current year or if it limits the amount of NOL you may use this year, you must carry over the NOL to future years.

**Line 7** – Enter the amount from line 6. If this amount is zero or negative, transfer the amount(s) from line 8 through line 13, column (b) to column (e). Go to line 14.

**Line 8 through Line 13** – Enter the amounts as positive numbers.

In column (c), enter the smaller of the amount in column (b) or the amount in column (d) from the previous line.

In column (d), enter the result of subtracting column (c) from the balance on the previous line in column (d).

In column (e), enter the result of subtracting the amount in column (c) from the amount in column (b), as applicable.

### Example:

(b) Carry-over from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) LARZ NOL carryover
		\$5,000	
\$ 500	\$ 500	4,500	\$ 0
6,000	4,500	0	1,500

**Line 14** – Enter the amount of your current year LARZ NOL. **Note:** Only for taxpayers with taxable or income years ending before December 1, 1998.

**Line 15** – Enter the totals from column (b), column (c) and column (e) on form FTB 3806, Side 1, line 4a, line 4b and line 4c, respectively.

Your LARZ NOL deduction for 1998 is the amount on line 15, column (c). Enter this amount on your California tax return or schedule as follows:

- Form 100, line 20;
- Form 100S, line 19;
- Form 109, line 3 or line 11;
- Schedule CA (540), line 21e, column B; or
- Schedule CA (540NR), line 21e, column B.

**Worksheet VI Net Operating Loss (NOL) Carryover and Carryover Limitations — Los Angeles Revitalization Zone**

- 1 Enter the amount from Form 100, line 17; Form 100S, combined amounts of line 15 and line 17; or Form 109, line 1 or line 10. Form 540 and Form 540NR filers, enter the total from the Income or Loss Worksheet, line 14, column (c) (page 12) on line 1 and line 6 (skip line 2 through line 5). See instructions. **Note:** Apportioning corporations, enter the amount from Schedule R, line 13b for the corporation doing business in the zone . . . .
- 2 **a** Form 100, 100S and 109 filers: Enter any nonbusiness income included in line 1 as a negative number. Form 540 and Form 540NR filers: Leave blank. . . . .
- b** Form 100, 100S and 109 filers: Enter any nonbusiness losses included in line 1 as a positive number. Form 540 and Form 540NR filers: Leave blank . . . . .
- c** Combine line 2a through line 2b. . . . .
- 3 Form 100 filers: Enter the amount from Form 100, line 21. Form 100S filers: Enter the total of the amounts on Form 100S, line 17 and line 20. Form 540, Form 540NR and Form 109 filers: Enter -0-. Enter this amount as a negative number . . . . .
- 4 Combine line 1, line 2c and line 3. . . . .
- 5 Enter the average apportionment percentage from Worksheet V, line 4 . . . . .
- 6 Modified taxable income. Multiply line 4 by line 5 . . . . .

1		
2a		
2b		
2c		
3		
4		
5		
6		

(a) Description	(b) Carryover from prior year	(c) Amount deducted this year	(d) Balance available to offset losses	(e) LARZ NOL carryover
7 Modified taxable income from line 6 . . . . .				
8 LARZ NOL carryover beginning in 1992 . . . . .				
9 LARZ NOL carryover beginning in 1993 . . . . .				
10 LARZ NOL carryover beginning in 1994 . . . . .				
11 LARZ NOL carryover beginning in 1995 . . . . .				
12 LARZ NOL carryover beginning in 1996 . . . . .				
13 LARZ NOL carryover beginning in 1997 . . . . .				
14 LARZ NOL carryover beginning in 1998 . . . . .				
15 Total the amounts in column (b), column (c) and column (e). See instructions . . . . .				

## Part VII Computation of Credit Limitations

No new LARZ credits may be generated in taxable or income years beginning on or after January 1, 1998. However, LARZ credit carryovers may still be claimed for 15 years from the year the credit was generated.

**Credit Limitations.** The amount of credit carryover you can claim on your California tax return is limited by the amount of tax attributable to the LARZ business income. Use Worksheet VII on form FTB 3806, Side 2 to compute this limitation.

Credit carryovers you are otherwise eligible to claim may be limited. Do not apply credit carryovers against the minimum franchise tax (corporations, limited partnerships, limited liability partnerships, LLCs and S corporations), the alternative minimum tax (corporations, exempt organizations, individuals and fiduciaries), the built-in gains tax (S corporations) or the net passive income tax (S corporations). Refer to the credit instructions in your tax booklet for more information.

**Carryover.** If the amount of credit carryover available this year exceeds your tax, you may carry over any excess credit to future years. The maximum carryover period is 15 years. Apply the carryover to the earliest taxable or income year(s) possible. In no event can the credit carryover be carried back and applied against a prior year's tax. Even though the LARZ has expired, the tax must continue to be computed on income as if the LARZ were still in existence.

For S corporations, the amount of credit carryover that is in excess of the 1.5% entity-level tax (3.5% for financial S corporations) in the current year may be carried forward and used in future years to offset the 1.5% entity-level tax (3.5% for financial S corporations). See the instructions for Worksheet VII, Part III for more information.

**Credit Code Number.** To claim the LARZ hiring and sales or use tax credit carryovers on your return, you must use credit code number **159**. Using the incorrect code number may cause a delay in allowing the credit.

## Instructions for Worksheet VII — Computation of Credit Limitations

**Note:** Worksheet VII is on Side 2 of form FTB 3806.

Partnerships and LLCs taxed as partnerships do not complete Worksheet VII. The partners and members of these types of entities should complete Worksheet VII in order to determine the amount of LARZ credit carryovers that they may claim on their California tax return. S corporations and their shareholders must each complete Worksheet VII.

### Reporting Requirements of S Corporations, Estates or Trusts, Partnerships and LLCs Taxed as Partnerships.

- Report to shareholders, beneficiaries, partners and members, the distributive or pro rata share of business income, loss or deduction apportioned to the zone; and

- Separately state the distributive share of any business capital gains and losses apportioned to the zone included in the amount above.

**S corporations:** Complete Part I and Part III of this worksheet if your entity-level tax before credits is more than the minimum franchise tax.

**Corporations and S corporations subject to the minimum tax only:** Complete only Part IV of this worksheet.

**All others:** Complete Part I and Part II of this worksheet.

### Part I

**Note:** For filers with LARZ NOLs or LARZ NOL carryovers:

- Complete Worksheet VI first if you have a current year LARZ NOL or a LARZ NOL carryover(s).
- Then complete Worksheet VII if you have any LARZ credit carryovers.

If you do not have a current LARZ NOL or any LARZ NOL carryovers:

- Individual filers: Go to the Income or Loss Worksheet in Part VI. Follow the instructions there. Enter the amount from the Income or Loss Worksheet, line 14, column (c) on Worksheet VII, Part I, line 1 and line 3 (skip line 2).
- Corporations: Follow the instructions for line 1 below.

**Line 1** – See page 9 for a definition of trade or business income. Enter all trade or business income.

**Line 2** – If your business is located entirely within the zone, enter 1.

Specifically, this percentage is the apportionment percentage computed by the entity using FTB 3806, Worksheet V, and represents the percentage of the entity's business attributable to the LARZ.

**Line 6a** – Compute the tax as if the LARZ taxable income represented all of your taxable income.

**Individuals:** Use the tax table or tax rate schedule in your tax booklet for your filing status.

**Exempt organizations:** Use the applicable tax rate in your tax booklet. **Corporations and S corporations:** Use the applicable tax rate.

### Example (Determination of LARZ Income for Shareholders, Partners or Members of Pass-Through Entities):

Gregory Smith is vice president of ABC, Inc., an S corporation that has two locations: one in the LARZ and one outside the LARZ. Eighty percent (80%) of the S corporation's business is attributable to the LARZ. (Note: This percentage was determined by ABC, Inc. using FTB 3806, Worksheet V — Apportionment Worksheet, when ABC's California S corporation return (Form 100S) was prepared.) Gregory divides his time equally (50%/50%) between the two offices of ABC, Inc.

Mary Smith (Gregory's spouse) works for ABC, Inc. at its office located in the LARZ.

Gregory and Mary Smith have the following 1998 items of California income and expense:

Gregory's salary from ABC, Inc.	\$100,000
Mary's salary from ABC, Inc.	75,000

Interest on savings account	1,000
Dividends	3,000
Schedule K-1 (100S) from ABC, Inc.:	
Ordinary income	40,000
LARZ business expense deduction	(5,000)*
Gregory's unreimbursed employee expenses from Schedule A	(2,000)

\*The LARZ business expense deduction is a separately stated item on Schedule K-1 (100S), line 8.

The Smiths' LARZ income (total amount to be reported on line 3) is computed as follows:

Gregory's LARZ (\$100,000 x 50%)	\$50,000
Mary's LARZ salary (\$75,000 x 100%)	75,000
Pass-through ordinary income from ABC, Inc. (\$40,000 x 80%)	32,000
Gregory's unreimbursed employee business expenses (2,000 x 50%)	(1,000)
Total LARZ income (Worksheet VII, Part I, line 3)	\$151,000

**Note:** The standard deduction and personal or dependency exemptions are not included in the computation of LARZ income since they are not related to trade or business activities.

Gregory and Mary Smith must compute the tax (to be entered on Worksheet VII, Part I, line 6a) on the total LARZ income of \$151,000 (as if it represents all of their income). Using the tax rate schedule in their tax booklet for filing status married filing joint, the 1998 tax figured on \$151,000 is \$10,745.

**Line 6b – Corporations and S corporations:** If the amount on line 6b is the minimum franchise tax (\$800), you cannot use your LARZ credit carryovers this year. You should complete Part IV of the worksheet to figure the amount to carry over.

### Part II

Use Part II if you are a corporation, individual, estate or trust. Corporations that are subject to paying only the minimum franchise tax, go to Part IV.

**Line 8A, column (e)** – Enter the amount from line 7. This is the amount of limitation based on the tax on LARZ business income.

**Line 8A, column (f)** – Enter the amount of credit carryover that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 8B, column (d).

**Line 8B, column (c)** – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I, Section A, in the prior year, minus the amount that was allowed to be taken on the prior year return).

**Line 8B, column (d)** – Enter the amount of line 8B, column (c) here.

**Line 8B, column (e)** – Compare the amount of line 8A, column (e) and line 8A, column (f). Enter the smaller amount.

**Line 8B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit carryover that can be carried over to future years. **Note:** This carryover includes both the

Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LARZ business income.

**Line 9A, column (e)** – Subtract the amount of line 8B, column (e) from the amount of line 8A, column (e). If the result is zero, your remaining credit carryovers are limited and must be carried over to future years. In this case, enter the amounts from line 9B, column (d) and line 10B, column (d) on line 9B and 10B in column (g).

**Line 9A, column (f)** – Enter the amount of credit carryover that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 9B, column (d).

**Line 9B, column (c)** – Enter the amount of the total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet I, Section B, in the prior year, minus the amount that was allowed to be taken on the prior year return).

**Line 9B, column (d)** – Enter the amount of line 9B, column (c) here.

**Line 9B, column (e)** – Compare the amount of line 9A, column (e) and line 9A, column (f). Enter the smaller amount.

**Line 9B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit carryover that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LARZ income.

**Line 10A, column (e)** – Subtract the amount of line 9B, column (e) from the amount of line 9A, column (e). If the result is zero, your remaining credit carryover is limited and must be carried over to future years. In this case, enter the amount from line 10B, column (d) in column (g).

**Line 10A, column (f)** – Enter the amount of credit carryover that is used on Schedule P (100, 540, 540NR or 541), column (b). The amount cannot be greater than the amount in column (e) or the amount computed on line 10B, column (d).

**Line 10B, column (c)** – Enter the amount of total prior year carryover of the credit (this is the amount of credit that was previously figured on Worksheet II, in the prior year, minus the amount that was allowed to be taken on the prior year return).

**Line 10B, column (d)** – Enter the amount of line 10B, column (c) here.

**Line 10B, column (e)** – Compare the amount of line 10A, column (e) and line 10A, column (f). Enter the smaller amount.

**Line 10B, column (g)** – Subtract the amount of column (e) from the amount of column (d). Enter the result in column (g). This is the amount of credit carryover that can be carried over to future years. **Note:** This carryover includes both the Schedule P (100, 540, 540NR or 541) limitation and the limitation based on LARZ income.

#### Example: Part II

The ABC Business has \$8,000 of tax. The business has a credit limitation of \$7,000 computed on Worksheet VII, line 7. The business has the following credit carryovers:

Construction hiring credit carryover	– \$5,000
General hiring credit carryover	– \$800
Sales or use tax credit carryover	– \$9,000

Worksheet VII, Part II would be computed as follows:

### Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts

	(a) Credit name		(c) Total prior year carryover	(d) Total credit carryover (enter amounts from col. (c))	(e) Limitation based on LARZ business income	(f) Used on Schedule P (can never be greater than col. (d) or col. (e))	(g) Carryover (col. (d) minus col. (e))
8	Construction hiring	A			7,000	5,000	
		B	5,000	5,000	5,000		-0-
9	General hiring	A			2,000	800	
		B	800	800	800		-0-
10	Sales or use tax	A			1,200	1,200	
		B	9,000	9,000	1,200		7,800

#### Part III

Use Part III only if you are an S corporation.

You may need to adjust your Schedule C to reflect the LARZ tax limitation (Part I, line 7) on your credits after completing this worksheet.

**Line 11 through Line 13, column (d)** – Enter the amount of the total prior year credit carryover on line 11, column (d); line 12, column (d); and line 13, column (d), as applicable. This is the amount of credit that was previously figured on the prior year's Worksheet I or Worksheet II, minus the amount that was allowed to be taken on the prior year return.

**Line 11 through Line 13, column (e)** – Enter the amount in column (d) for line 11, line 12 and

line 13 in this column for line 11, line 12 and line 13, as applicable.

**Line 11 through Line 13, column (f)** – Enter the amount of credit carryover that was used by the S corporation in the current year to offset its 1.5% entity-level tax (3.5% for financial S corporations) in column (f) for line 11, line 12 and line 13, as applicable.

**Line 11 through Line 13, column (g)** – Subtract the amounts in column (f) for each line from the amounts in column (e) for each line. These are the amount of credit carryovers that can be carried over to future years and used by the S corporation.

#### Part IV

Use Part IV if you are a corporation or S corporation subject to paying only the minimum franchise tax.

**Line 14 through Line 16, column (c)** – Enter the amount of the total prior year carryover of the credit in column (c) for line 14, line 15 and line 16, as applicable. (These are the amounts of credits that were previously figured on Worksheet I and Worksheet II in the prior year, minus the amount that was allowed to be taken on the prior year return.)

**Line 14 through Line 16, column (d)** – Enter the amount in column (c) for line 14, line 15 and line 16 in this column for line 14, line 15 and line 16, as applicable.



# FTB 3806

## Codes for Principal Business Activity

This list of principal business activities and their associated codes is designed to classify a business by the type of activity in which it is engaged to facilitate the administration of the California Revenue and Taxation Code. For taxable or income years beginning on or after January 1, 1998, these principal business activity codes are based on the North American Industry Classification System.

### Agriculture, Forestry, Fishing and Hunting

#### Code

#### Crop Production

111100	Oilseed & Grain Farming
111210	Vegetable & Melon Farming (including potatoes & yams)
111300	Fruit & Tree Nut Farming
111400	Greenhouse, Nursery, & Floriculture Production
111900	Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming)

#### Animal Production

112111	Beef Cattle Ranching & Farming
112112	Cattle Feedlots
112120	Dairy Cattle & Milk Production
112210	Hog & Pig Farming
112300	Poultry & Egg Production
112400	Sheep & Goat Farming
112510	Animal Aquaculture (including shellfish & finfish farms & hatcheries)
112900	Other Animal Production

#### Forestry and Logging

113110	Timber Tract Operations
113210	Forest Nurseries & Gathering of Forest Products
113310	Logging

#### Fishing, Hunting and Trapping

114110	Fishing
114210	Hunting & Trapping

#### Support Activities for Agriculture and Forestry

115110	Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating)
115210	Support Activities for Animal Production
115310	Support Activities For Forestry

### Mining

211110	Oil & Gas Extraction
212110	Coal Mining
212200	Metal Ore Mining
212310	Stone Mining & Quarrying
212320	Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying
212390	Other Nonmetallic Mineral Mining & Quarrying
213110	Support Activities for Mining

### Utilities

221100	Electric Power Generation, Transmission & Distribution
221210	Natural Gas Distribution
221300	Water, Sewage & Other Systems

### Construction

#### Code

#### Building, Developing, and General Contracting

233110	Land Subdivision & Land Development
233200	Residential Building Construction
233300	Nonresidential Building Construction

#### Heavy Construction

234100	Highway, Street, Bridge, & Tunnel Construction
234900	Other Heavy Construction

#### Special Trade Contractors

235110	Plumbing, Heating, & Air-Conditioning Contractors
235210	Painting & Wall Covering Contractors
235310	Electrical Contractors
235400	Masonry, Drywall, Insulation, & Tile Contractors
235500	Carpentry & Floor Contractors
235610	Roofing, Siding, & Sheet Metal Contractors
235710	Concrete Contractors
235810	Water Well Drilling Contractors
235900	Other Special Trade Contractors

### Manufacturing

#### Food Manufacturing

311110	Animal Food Mfg
311200	Grain & Oilseed Milling
311300	Sugar & Confectionery Product Mfg
311400	Fruit & Vegetable Preserving & Specialty Food Mfg
311500	Dairy Product Mfg
311610	Animal Slaughtering and Processing
311710	Seafood Product Preparation & Packaging
311800	Bakeries & Tortilla Mfg
311900	Other Food Mfg (including coffee, tea, flavorings & seasonings)

#### Beverage and Tobacco Product Manufacturing

312110	Soft Drink & Ice Mfg
312120	Breweries
312130	Wineries
312140	Distilleries
312200	Tobacco Manufacturing

#### Textile Mills and Textile Product Mills

313000	Textile Mills
314000	Textile Product Mills

#### Apparel Manufacturing

315100	Apparel Knitting Mills
315210	Cut & Sew Apparel Contractors
315220	Men's & Boys' Cut & Sew Apparel Mfg

#### Code

315230	Women's & Girls' Cut & Sew Apparel Mfg
315290	Other Cut & Sew Apparel Mfg
315990	Apparel Accessories & Other Apparel Mfg

#### Leather and Allied Product Manufacturing

316110	Leather & Hide Tanning & Finishing
316210	Footwear Mfg (including rubber & plastics)
316990	Other Leather & Allied Product Mfg

#### Wood Product Manufacturing

321110	Sawmills & Wood Preservation
321210	Veneer, Plywood, & Engineered Wood Product Mfg
321900	Other Wood Product Mfg

#### Paper Manufacturing

322100	Pulp, Paper, & Paperboard Mills
322200	Converted Paper Product Mfg

#### Printing and Related Support Activities

323100	Printing & Related Support Activities
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#### Petroleum and Coal Products Manufacturing

324110	Petroleum Refineries (including integrated)
324120	Asphalt Paving, Roofing, & Saturated Materials Mfg
324190	Other Petroleum & Coal Products Mfg

#### Chemical Manufacturing

325100	Basic Chemical Mfg
325200	Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg
325300	Pesticide, Fertilizer, & Other Agricultural Chemical Mfg
325410	Pharmaceutical & Medicine Mfg
325500	Paint, Coating, & Adhesive Mfg
325600	Soap, Cleaning Compound, & Toilet Preparation Mfg
325900	Other Chemical Product & Preparation Mfg

#### Plastics and Rubber Products Manufacturing

326100	Plastics Product Mfg
326200	Rubber Product Mfg

#### Nonmetallic Mineral Product Manufacturing

327100	Clay Product & Refractory Mfg
327210	Glass & Glass Product Mfg
327300	Cement & Concrete Product Mfg
327400	Lime & Gypsum Product Mfg
327900	Other Nonmetallic Mineral Product Mfg

#### Primary Metal Manufacturing

331110	Iron & Steel Mills & Ferroalloy Mfg
331200	Steel Product Mfg from Purchased Steel
331310	Alumina & Aluminum Production & Processing
331400	Nonferrous Metal (except Aluminum) Production & Processing
331500	Foundries

#### Fabricated Metal Product Manufacturing

332110	Forging & Stamping
332210	Cutlery & Handtool Mfg
332300	Architectural & Structural Metals Mfg
332400	Boiler, Tank, & Shipping Container Mfg
332510	Hardware Mfg
332610	Spring & Wire Product Mfg
332700	Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg
332810	Coating, Engraving, Heat Treating, & Allied Activities

#### Code

332900	Other Fabricated Metal Product Mfg
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#### Machinery Manufacturing

333100	Agriculture, Construction, & Mining Machinery Mfg
333200	Industrial Machinery Mfg
333310	Commercial & Service Industry Machinery Mfg
333410	Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg
333510	Metalworking Machinery Mfg
333610	Engine, Turbine & Power Transmission Equipment Mfg
333900	Other General Purpose Machinery Mfg

#### Computer and Electronic Product Manufacturing

334110	Computer & Peripheral Equipment Mfg
334200	Communications Equipment Mfg
334310	Audio & Video Equipment Mfg
334410	Semiconductor & Other Electronic Component Mfg
334500	Navigational, Measuring, Electromedical, & Control Instruments Mfg
334610	Manufacturing & Reproducing Magnetic & Optical Media

#### Electrical Equipment, Appliance, and Component Manufacturing

335100	Electric Lighting Equipment Mfg
335200	Household Appliance Mfg
335310	Electrical Equipment Mfg
335900	Other Electrical Equipment & Component Mfg

#### Transportation Equipment Manufacturing

336100	Motor Vehicle Mfg
336210	Motor Vehicle Body & Trailer Mfg
336300	Motor Vehicle Parts Mfg
336410	Aerospace Product & Parts Mfg
336510	Railroad Rolling Stock Mfg
336610	Ship & Boat Building
336990	Other Transportation Equipment Mfg

#### Furniture and Related Product Manufacturing

337000	Furniture & Related Product Manufacturing
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#### Miscellaneous Manufacturing

339110	Medical Equipment & Supplies Mfg
339900	Other Miscellaneous Manufacturing

### Wholesale Trade

#### Wholesale Trade, Durable Goods

421100	Motor Vehicle & Motor Vehicle Parts & Supplies Wholesalers
421200	Furniture & Home Furnishing Wholesalers
421300	Lumber & Other Construction Materials Wholesalers
421400	Professional & Commercial Equipment & Supplies Wholesalers
421500	Metal & Mineral (except Petroleum) Wholesalers
421600	Electrical Goods Wholesalers
421700	Hardware, & Plumbing & Heating Equipment & Supplies Wholesalers
421800	Machinery, Equipment, & Supplies Wholesalers
421910	Sporting & Recreational Goods & Supplies Wholesalers
421920	Toy & Hobby Goods & Supplies Wholesalers
421930	Recyclable Material Wholesalers
421940	Jewelry, Watch, Precious Stone, & Precious Metal Wholesalers
421990	Other Miscellaneous Durable Goods Wholesalers

<b>Code</b> <b>Wholesale Trade, Nondurable Goods</b> 422100 Paper & Paper Product Wholesalers 422210 Drugs & Druggists' Sundries Wholesalers 422300 Apparel, Piece Goods, & Notions Wholesalers 422400 Grocery & Related Product Wholesalers 422500 Farm Product Raw Material Wholesalers 422600 Chemical & Allied Products Wholesalers 422700 Petroleum & Petroleum Products Wholesalers 422800 Beer, Wine, & Distilled Alcoholic Beverage Wholesalers 422910 Farm Supplies Wholesalers 422920 Book, Periodical, & Newspaper Wholesalers 422930 Flower, Nursery Stock, & Florists' Supplies Wholesalers 422940 Tobacco & Tobacco Product Wholesalers 422950 Paint, Varnish, & Supplies Wholesalers 422990 Other Miscellaneous Nondurable Goods Wholesalers	<b>Code</b> <b>Clothing and Clothing Accessories Stores</b> 448110 Men's Clothing Stores 448120 Women's Clothing Stores 448130 Children's & Infants' Clothing Stores 448140 Family Clothing Stores 448150 Clothing Accessories Stores 448190 Other Clothing Stores 448210 Shoe Stores 448310 Jewelry Stores 448320 Luggage & Leather Goods Stores <b>Sporting Goods, Hobby, Book, and Music Stores</b> 451110 Sporting Goods Stores 451120 Hobby, Toy, & Game Stores 451130 Sewing, Needlework, & Piece Goods Stores 451140 Musical Instrument & Supplies Stores 451211 Book Stores 451212 News Dealers & Newsstands 451220 Prerecorded Tape, Compact Disc, & Record Stores <b>General Merchandise Stores</b> 452110 Department stores 452900 Other General Merchandise Stores <b>Miscellaneous Store Retailers</b> 453110 Florists 453210 Office Supplies & Stationery Stores 453220 Gift, Novelty, & Souvenir Stores 453310 Used Merchandise Stores 453910 Pet & Pet Supplies Stores 453920 Art Dealers 453930 Manufactured (Mobile) Home Dealers 453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops) <b>Nonstore Retailers</b> 454110 Electronic Shopping & Mail-Order Houses 454210 Vending Machine Operators 454311 Heating Oil Dealers 454312 Liquefied Petroleum Gas (Bottled Gas) Dealers 454319 Other Fuel Dealers 454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	<b>Code</b> <b>Support Activities for Transportation</b> 488100 Support Activities for Air Transportation 488210 Support Activities for Rail Transportation 488300 Support Activities for Water Transportation 488410 Motor Vehicle Towing 488490 Other Support Activities for Road Transportation 488510 Freight Transportation Arrangement 488990 Other Support Activities for Transportation <b>Couriers and Messengers</b> 492110 Couriers 492210 Local Messengers & Local Delivery <b>Warehousing and Storage</b> 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)	<b>Code</b> 523210 Securities & Commodity Exchanges 523900 Other Financial Investment Activities (including portfolio management & investment advice) <b>Insurance Carriers and Related Activities</b> 524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers 524150 Direct Insurance & Reinsurance (except Life, Health & Medical) Carriers 524210 Insurance Agencies & Brokerages 524290 Other Insurance Related Activities <b>Funds, Trusts, and Other Financial Vehicles</b> 525100 Insurance & Employee Benefit Funds 525910 Open-End Investment Funds (Form 1120-RIC) 525920 Trusts, Estates, & Agency Accounts 525930 Real Estate Investment Trusts (Form 1120-REIT) 525990 Other Financial Vehicles
<b>Retail Trade</b> <b>Motor Vehicle and Parts Dealers</b> 441110 New Car Dealers 441120 Used Car Dealers 441210 Recreational Vehicle Dealers 441221 Motorcycle Dealers 441222 Boat Dealers 441229 All Other Motor Vehicle Dealers 441300 Automotive Parts, Accessories, & Tire Stores <b>Furniture and Home Furnishings Stores</b> 442110 Furniture Stores 442210 Floor Covering Stores 442291 Window Treatment Stores 442299 All Other Home Furnishings Stores <b>Electronics and Appliance Stores</b> 443111 Household Appliance Stores 443112 Radio, Television, & Other Electronics Stores 443120 Computer & Software Stores 443130 Camera & Photographic Supplies Stores <b>Building Material and Garden Equipment and Supplies Dealers</b> 444110 Home Centers 444120 Paint & Wallpaper Stores 444130 Hardware Stores 444190 Other Building Material Dealers 444200 Lawn & Garden Equipment & Supplies Stores <b>Food and Beverage Stores</b> 445110 Supermarkets and Other Grocery (except Convenience) Stores 445120 Convenience Stores 445210 Meat Markets 445220 Fish & Seafood Markets 445230 Fruit & Vegetable Markets 445291 Baked Goods Stores 445292 Confectionery & Nut Stores 445299 All Other Specialty Food Stores 445310 Beer, Wine, & Liquor Stores <b>Health and Personal Care Stores</b> 446110 Pharmacies & Drug Stores 446120 Cosmetics, Beauty Supplies, & Perfume Stores 446130 Optical Goods Stores 446190 Other Health & Personal Care Stores <b>Gasoline Stations</b> 447100 Gasoline Stations (including convenience stores with gas)	<b>Transportation and Warehousing</b> <b>Air, Rail, and Water Transportation</b> 481000 Air Transportation 482110 Rail Transportation 483000 Water Transportation <b>Truck Transportation</b> 484110 General Freight Trucking, Local 484120 General Freight Trucking, Long-distance 484200 Specialized Freight Trucking <b>Transit and Ground Passenger Transportation</b> 485110 Urban Transit Systems 485210 Interurban & Rural Bus Transportation 485310 Taxi Service 485320 Limousine Service 485410 School & Employee Bus Transportation 485510 Charter Bus Industry 485990 Other Transit & Ground Passenger Transportation <b>Pipeline Transportation</b> 486000 Pipeline Transportation <b>Scenic &amp; Sightseeing Transportation</b> 487000 Scenic & Sightseeing Transportation	<b>Information</b> <b>Publishing Industries</b> 511110 Newspaper Publishers 511120 Periodical Publishers 511130 Book Publishers 511140 Database & Directory Publishers 511190 Other Publishers 511210 Software Publishers <b>Motion Picture and Sound Recording Industries</b> 512100 Motion Picture & Video Industries (except video rental) 512200 Sound Recording Industries <b>Broadcasting and Telecommunications</b> 513100 Radio & Television Broadcasting 513200 Cable Networks & Program Distribution 513300 Telecommunications (including paging, cellular, satellite, & other telecommunications) <b>Information Services and Data Processing Services</b> 514100 Information Services (including news syndicates, libraries, & on-line information services) 514210 Data Processing Services <b>Finance and Insurance</b> <b>Depository Credit Intermediation</b> 522110 Commercial Banking 522120 Savings Institutions 522130 Credit Unions 522190 Other Depository Credit Intermediation <b>Nondepository Credit Intermediation</b> 522210 Credit Card Issuing 522220 Sales Financing 522291 Consumer Lending 522292 Real Estate Credit (including mortgage bankers & originators) 522293 International Trade Financing 522294 Secondary Market Financing 522298 All Other Nondepository Credit Intermediation <b>Activities Related to Credit Intermediation</b> 522300 Activities Related to Credit Intermediation (including loan brokers) <b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b> 523110 Investment Banking & Securities Dealing 523120 Securities Brokerage 523130 Commodity Contracts Dealing 523140 Commodity Contracts Brokerage	<b>Real Estate and Rental and Leasing</b> <b>Real Estate</b> 531110 Lessors of Residential Buildings & Dwellings 531120 Lessors of Nonresidential Buildings (except Miniwarehouses) 531130 Lessors of Miniwarehouses & Self-Storage Units 531190 Lessors of Other Real Estate Property 531210 Offices of Real Estate Agents & Brokers 531310 Real Estate Property Managers 531320 Offices of Real Estate Appraisers 531390 Other Activities Related to Real Estate <b>Rental and Leasing Services</b> 532100 Automotive Equipment Rental & Leasing 532210 Consumer Electronics & Appliances Rental 532220 Formal Wear & Costume Rental 532230 Video Tape & Disc Rental 532290 Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing <b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b> 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works) <b>Professional, Scientific, and Technical Services</b> <b>Legal Services</b> 541110 Offices of Lawyers 541190 Other Legal Services <b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b> 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services <b>Architectural, Engineering, and Related Services</b> 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services

<p><b>Code</b></p> <p>541360 Geophysical Surveying &amp; Mapping Services</p> <p>541370 Surveying &amp; Mapping (except Geophysical) Services</p> <p>541380 Testing Laboratories</p> <p><b>Specialized Design Services</b></p> <p>541400 Specialized Design Services (including interior, industrial, graphic, &amp; fashion design)</p> <p><b>Computer Systems Design and Related Services</b></p> <p>541511 Custom Computer Programming Services</p> <p>541512 Computer Systems Design Services</p> <p>541513 Computer Facilities Management Services</p> <p>541519 Other Computer Related Services</p> <p><b>Other Professional, Scientific, and Technical Services</b></p> <p>541600 Management, Scientific, &amp; Technical Consulting Services</p> <p>541700 Scientific Research &amp; Development Services</p> <p>541800 Advertising &amp; Related Services</p> <p>541910 Marketing Research &amp; Public Opinion Polling</p> <p>541920 Photographic Services</p> <p>541930 Translation &amp; Interpretation Services</p> <p>541940 Veterinary Services</p> <p>541990 All Other Professional, Scientific, &amp; Technical Services</p>	<p><b>Code</b></p> <p>561500 Travel Arrangement &amp; Reservation Services</p> <p>561600 Investigation &amp; Security Services</p> <p>561710 Exterminating &amp; Pest Control Services</p> <p>561720 Janitorial Services</p> <p>561730 Landscaping Services</p> <p>561740 Carpet &amp; Upholstery Cleaning Services</p> <p>561790 Other Services to Buildings &amp; Dwellings</p> <p>561900 Other Support Services (including packaging &amp; labeling services, &amp; convention &amp; trade show organizers)</p> <p><b>Waste Management and Remediation Services</b></p> <p>562000 Waste Management &amp; Remediation Services</p> <p><b>Educational Services</b></p> <p>611000 Educational Services (including schools, colleges, &amp; universities)</p> <p><b>Health Care and Social Assistance</b></p> <p><b>Offices of Physicians and Dentists</b></p> <p>621111 Offices of Physicians (except mental health specialists)</p> <p>621112 Offices of Physicians, Mental Health Specialists</p> <p>621210 Offices of Dentists</p> <p><b>Offices of Other Health Practitioners</b></p> <p>621310 Offices of Chiropractors</p> <p>621320 Offices of Optometrists</p> <p>621330 Offices of Mental Health Practitioners (except Physicians)</p> <p>621340 Offices of Physical, Occupational &amp; Speech Therapists, &amp; Audiologists</p> <p>621391 Offices of Podiatrists</p> <p>621399 Offices of All Other Miscellaneous Health Practitioners</p> <p><b>Outpatient Care Centers</b></p> <p>621410 Family Planning Centers</p> <p>621420 Outpatient Mental Health &amp; Substance Abuse Centers</p> <p>621491 HMO Medical Centers</p> <p>621492 Kidney Dialysis Centers</p> <p>621493 Freestanding Ambulatory Surgical &amp; Emergency Centers</p> <p>621498 All Other Outpatient Care Centers</p> <p><b>Medical and Diagnostic Laboratories</b></p> <p>621510 Medical &amp; Diagnostic Laboratories</p> <p><b>Home Health Care Services</b></p> <p>621610 Home Health Care Services</p>	<p><b>Code</b></p> <p><b>Other Ambulatory Health Care Services</b></p> <p>621900 Other Ambulatory Health Care Services (including ambulance services &amp; blood &amp; organ banks)</p> <p><b>Hospitals</b></p> <p>622000 Hospitals</p> <p><b>Nursing and Residential Care Facilities</b></p> <p>623000 Nursing &amp; Residential Care Facilities</p> <p><b>Social Assistance</b></p> <p>624100 Individual &amp; Family Services</p> <p>624200 Community Food &amp; Housing, &amp; Emergency &amp; Other Relief Services</p> <p>624310 Vocational Rehabilitation Services</p> <p>624410 Child Day Care Services</p> <p><b>Arts, Entertainment, and Recreation</b></p> <p><b>Performing Arts, Spectator Sports, and Related Industries</b></p> <p>711100 Performing Arts Companies</p> <p>711210 Spectator Sports (including sports clubs &amp; racetracks)</p> <p>711300 Promoters of Performing Arts, Sports, &amp; Similar Events</p> <p>711410 Agents &amp; Managers for Artists, Athletes, Entertainers, &amp; Other Public Figures</p> <p>711510 Independent Artists, Writers, &amp; Performers</p> <p><b>Museums, Historical Sites, and Similar Institutions</b></p> <p>712100 Museums, Historical Sites, &amp; Similar Institutions</p> <p><b>Amusement, Gambling, and Recreation Industries</b></p> <p>713100 Amusement Parks &amp; Arcades</p> <p>713200 Gambling Industries</p> <p>713900 Other Amusement &amp; Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, &amp; bowling centers)</p>	<p><b>Code</b></p> <p><b>Food Services and Drinking Places</b></p> <p>722110 Full-Service Restaurants</p> <p>722210 Limited-Service Eating Places</p> <p>722300 Special Food Services (including food service contractors &amp; caterers)</p> <p>722410 Drinking Places (Alcoholic Beverages)</p> <p><b>Other Services</b></p> <p><b>Repair and Maintenance</b></p> <p>811110 Automotive Mechanical &amp; Electrical Repair &amp; Maintenance</p> <p>811120 Automotive Body, Paint, Interior, &amp; Glass Repair</p> <p>811190 Other Automotive Repair &amp; Maintenance (including oil change &amp; lubrication shops &amp; car washes)</p> <p>811210 Electronic &amp; Precision Equipment Repair &amp; Maintenance</p> <p>811310 Commercial &amp; Industrial Machinery &amp; Equipment (except Automotive &amp; Electronic) Repair &amp; Maintenance</p> <p>811410 Home &amp; Garden Equipment &amp; Appliance Repair &amp; Maintenance</p> <p>811420 Reupholstery &amp; Furniture Repair</p> <p>811430 Footwear &amp; Leather Goods Repair</p> <p>811490 Other Personal &amp; Household Goods Repair &amp; Maintenance</p> <p><b>Personal and Laundry Services</b></p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet &amp; weight reducing centers)</p> <p>812210 Funeral Homes &amp; Funeral Services</p> <p>812220 Cemeteries &amp; Crematories</p> <p>812310 Coin-Operated Laundries &amp; Drycleaners</p> <p>812320 Drycleaning &amp; Laundry Services (except Coin-Operated)</p> <p>812330 Linen &amp; Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots &amp; Garages</p> <p>812990 All Other Personal Services</p> <p><b>Religious, Grantmaking, Civic, Professional, and Similar Organizations</b></p> <p>813000 Religious, Grantmaking, Civic, Professional, &amp; Similar Organizations</p>
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**1998**

# Los Angeles Revitalization Zone Deduction and Credit Summary

**3806**

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

**A. Check the appropriate box for your entity type:**

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt organization    ☐ Limited liability company    ☐ Limited liability partnership

**B.** Enter the name of the Los Angeles Revitalization Zone (LARZ) business: \_\_\_\_\_**C.** Enter the address (actual location) where the LARZ business is conducted. \_\_\_\_\_**D.** Enter the name of the community in the LARZ in which the business and/or investment activity is located. See General Information E. \_\_\_\_\_**E.** Principal Business Activity Code number of the LARZ business. \_\_\_\_\_  
Enter the 6-digit number from the Principal Business Activity Code Chart (pages 17 through 19).**F.** Gross annual receipts of the business. \_\_\_\_\_**G.** Total asset value of the business. \_\_\_\_\_**Part I Credits Used****1** Hiring and sales or use tax credits claimed on the current year return:**a** Construction hiring credit from Worksheet VII, line 8A, column (f) or line 11, column (f) \_\_\_\_\_**b** General hiring credit from Worksheet VII, line 9A, column (f) or line 12, column (f) \_\_\_\_\_**c** Sales or use tax credit from Worksheet VII, line 10A, column (f) or line 13, column (f) \_\_\_\_\_Add line 1a, line 1b and line 1c **1** \_\_\_\_\_**Note:** To figure the amount of credits to carry over, complete Worksheet VII on Side 2.**Part II Business Expense Deduction for Equipment Purchases****2** Enter the cost of qualified property purchased for the LARZ that is being deducted as a current year business expense from Worksheet III, Section A, line 2, column (b) **2** \_\_\_\_\_**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17266 or 24356.4. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).**Part III Net Interest Deduction for Lenders****3** Enter the amount of net interest received on loans to businesses located in the LARZ from Worksheet IV, line 2, column (f) **3** \_\_\_\_\_**Part IV Net Operating Loss Carryover and Deduction****4a** Enter the LARZ NOL carryover from prior years from Worksheet VI, line 15, column (b) **4a** \_\_\_\_\_**4b** Enter the total LARZ NOL deduction used in the current year from Worksheet VI, line 15, column (c). \_\_\_\_\_

Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 20; Form 100S, line 19;

or Form 109, line 3 or line 11. **4b** \_\_\_\_\_**4c** Enter the LARZ NOL to carry over to future years from Worksheet VI, line 15, column (e). **4c** \_\_\_\_\_**ELECTION:** For those taxpayers eligible for an NOL carryover under R&TC Section 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5 or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.4 or 24416.4, for taxpayers operating a trade or business within the LARZ. If you elect to carry over an NOL under the LARZ provisions, you cannot carry over any other type and amount of NOL from this year.**Part V Portion of Business Attributable to the LARZ****5** Enter the average apportionment percentage of your business that is in the LARZ from Worksheet V, line 4. \_\_\_\_\_  
If your operation is wholly within the LARZ, the average apportionment percentage is 100% (1.00) **5** \_\_\_\_\_**Part VI Recapture of Deduction and Credits****6** Recapture of construction hiring credit from Worksheet I, line 2, column (b) **6** \_\_\_\_\_**7** Recapture of general hiring credit from Worksheet I, line 2, column (c) **7** \_\_\_\_\_**8** Recapture of sales or use tax credit from Worksheet II, line 2, column (b). **8** \_\_\_\_\_**9** Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b) **9** \_\_\_\_\_

**Worksheet VII Computation of Credit Limitations — Los Angeles Revitalization Zone****Part I Computation of Limitations.** See instructions.

1	Trade or business income. <b>Individuals:</b> Enter the amount from the Income or Loss Worksheet, line 14, column (c) (page 12) on this line and on line 3 (skip line 2). See instructions on page 15. <b>Note:</b> Multistate apportioning corporations, enter the amount from Schedule R, line 13b for the corporation doing business in the zone . . . . .	1	
2	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet V, line 4. See instructions . . . . .	2	
3	Multiply line 1 by line 2 . . . . .	3	
4	Enter the LARZ NOL deduction from Worksheet VI, line 15, column (c) . . . . .	4	
5	LARZ taxable income. Subtract line 4 from line 3. . . . .	5	
6a	Compute the amount of tax due using the amount on line 5. See instructions. . . . .	6a	
6b	Enter the amount of tax from Form 540, line 24; Form 540NR, line 27; Form 541, line 21; Form 100, line 23 or Form 100S, line 22 or Form 109, line 7 or line 15. Corporations and S corporations, see instructions . . . . .	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on LARZ income. Go to Part II, Part III or Part IV. See instructions . . . . .	7	

**Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts.** See instructions.

	(a) Credit name		(c) Total prior year carryover	(d) Total credit carry- over (enter amounts from col. (c))	(e) Limitation based on LARZ business income	(f) Used on Schedule P (can never be greater than col. (d) or col. (e))	(g) Carryover (col. (d) minus col. (e))
8	Construction hiring	A					
		B					
9	General hiring	A					
		B					
10	Sales or use tax	A					
		B					

**Part III Limitation of Credits for S Corporations only.** See instructions.

	(a) Credit name		(d) Total prior year carryover	(e) Total credit carry- over (enter amounts from col. (d))	(f) Credit carryover used this year by S corporation	(g) Carryover (col. (e) minus col. (f))
11	Construction hiring					
12	General hiring					
13	Sales or use tax					

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

	(a) Credit name	(c) Total prior year carryover	(d) Total credit carryover (enter amounts from col. (c))
14	Construction hiring		
15	General hiring		
16	Sales or use tax		

**1998**

# Los Angeles Revitalization Zone Deduction and Credit Summary

**3806**

Attach to your California tax return.

Social security or California corporation number

Name(s) as shown on return

FEIN

**A. Check the appropriate box for your entity type:**

- ☐ Individual    ☐ Estate    ☐ Trust    ☐ C corporation    ☐ S corporation    ☐ Partnership  
☐ Exempt organization    ☐ Limited liability company    ☐ Limited liability partnership

**B.** Enter the name of the Los Angeles Revitalization Zone (LARZ) business: \_\_\_\_\_**C.** Enter the address (actual location) where the LARZ business is conducted. \_\_\_\_\_**D.** Enter the name of the community in the LARZ in which the business and/or investment activity is located. See General Information E. \_\_\_\_\_**E.** Principal Business Activity Code number of the LARZ business. \_\_\_\_\_  
Enter the 6-digit number from the Principal Business Activity Code Chart (pages 17 through 19).**F.** Gross annual receipts of the business. \_\_\_\_\_**G.** Total asset value of the business. \_\_\_\_\_**Part I Credits Used****1** Hiring and sales or use tax credits claimed on the current year return:**a** Construction hiring credit from Worksheet VII, line 8A, column (f) or line 11, column (f) \_\_\_\_\_**b** General hiring credit from Worksheet VII, line 9A, column (f) or line 12, column (f) \_\_\_\_\_**c** Sales or use tax credit from Worksheet VII, line 10A, column (f) or line 13, column (f) \_\_\_\_\_Add line 1a, line 1b and line 1c **1** \_\_\_\_\_**Note:** To figure the amount of credits to carry over, complete Worksheet VII on Side 2.**Part II Business Expense Deduction for Equipment Purchases****2** Enter the cost of qualified property purchased for the LARZ that is being deducted as a current year business expense from Worksheet III, Section A, line 2, column (b) **2** \_\_\_\_\_**ELECTION:** The act of deducting a portion of the cost of any property as a current year expense rather than adding it to the capital account constitutes an election to treat that property in accordance with R&TC Sections 17266 or 24356.4. That election may not be revoked except with the written consent of the Franchise Tax Board (FTB).**Part III Net Interest Deduction for Lenders****3** Enter the amount of net interest received on loans to businesses located in the LARZ from Worksheet IV, line 2, column (f) **3** \_\_\_\_\_**Part IV Net Operating Loss Carryover and Deduction****4a** Enter the LARZ NOL carryover from prior years from Worksheet VI, line 15, column (b) **4a** \_\_\_\_\_**4b** Enter the total LARZ NOL deduction used in the current year from Worksheet VI, line 15, column (c). \_\_\_\_\_

Enter this amount on Schedule CA (540 or 540NR), line 21e, column B; Form 100, line 20; Form 100S, line 19;

or Form 109, line 3 or line 11. **4b** \_\_\_\_\_**4c** Enter the LARZ NOL to carry over to future years from Worksheet VI, line 15, column (e). **4c** \_\_\_\_\_**ELECTION:** For those taxpayers eligible for an NOL carryover under R&TC Section 17276.2, 17276.4, 17276.5, 17276.6, 24416.2, 24416.4, 24416.5 or 24416.6, the act of claiming an NOL carryover on this form constitutes the **irrevocable** election to apply the loss under R&TC Section 17276.4 or 24416.4, for taxpayers operating a trade or business within the LARZ. If you elect to carry over an NOL under the LARZ provisions, you cannot carry over any other type and amount of NOL from this year.**Part V Portion of Business Attributable to the LARZ****5** Enter the average apportionment percentage of your business that is in the LARZ from Worksheet V, line 4. \_\_\_\_\_  
If your operation is wholly within the LARZ, the average apportionment percentage is 100% (1.00) **5** \_\_\_\_\_**Part VI Recapture of Deduction and Credits****6** Recapture of construction hiring credit from Worksheet I, line 2, column (b) **6** \_\_\_\_\_**7** Recapture of general hiring credit from Worksheet I, line 2, column (c) **7** \_\_\_\_\_**8** Recapture of sales or use tax credit from Worksheet II, line 2, column (b). **8** \_\_\_\_\_**9** Recapture of business expense deduction from Worksheet III, Section B, line 2, column (b) **9** \_\_\_\_\_

**Worksheet VII Computation of Credit Limitations — Los Angeles Revitalization Zone****Part I Computation of Limitations.** See instructions.

1	Trade or business income. <b>Individuals:</b> Enter the amount from the Income or Loss Worksheet, line 14, column (c) (page 12) on this line and on line 3 (skip line 2). See instructions on page 15. <b>Note:</b> Multistate apportioning corporations, enter the amount from Schedule R, line 13b for the corporation doing business in the zone . . . . .	1	
2	<b>Corporations:</b> Enter the average apportionment percentage from Worksheet V, line 4. See instructions . . . . .	2	
3	Multiply line 1 by line 2 . . . . .	3	
4	Enter the LARZ NOL deduction from Worksheet VI, line 15, column (c) . . . . .	4	
5	LARZ taxable income. Subtract line 4 from line 3. . . . .	5	
6a	Compute the amount of tax due using the amount on line 5. See instructions. . . . .	6a	
6b	Enter the amount of tax from Form 540, line 24; Form 540NR, line 27; Form 541, line 21; Form 100, line 23 or Form 100S, line 22 or Form 109, line 7 or line 15. Corporations and S corporations, see instructions . . . . .	6b	
7	Enter the smaller of line 6a or line 6b. This is the limitation based on LARZ income. Go to Part II, Part III or Part IV. See instructions . . . . .	7	

**Part II Limitation of Credits for Corporations, Individuals and Estates and Trusts.** See instructions.

	(a) Credit name		(c) Total prior year carryover	(d) Total credit carry- over (enter amounts from col. (c))	(e) Limitation based on LARZ business income	(f) Used on Schedule P (can never be greater than col. (d) or col. (e))	(g) Carryover (col. (d) minus col. (e))
8	Construction hiring	A					
		B					
9	General hiring	A					
		B					
10	Sales or use tax	A					
		B					

**Part III Limitation of Credits for S Corporations only.** See instructions.

	(a) Credit name		(d) Total prior year carryover	(e) Total credit carry- over (enter amounts from col. (d))	(f) Credit carryover used this year by S corporation	(g) Carryover (col. (e) minus col. (f))
11	Construction hiring					
12	General hiring					
13	Sales or use tax					

**Part IV Limitation of Credits for Corporations and S Corporations Subject to Paying Only the Minimum Franchise Tax.** See instructions.

	(a) Credit name	(c) Total prior year carryover	(d) Total credit carryover (enter amounts from col. (c))
14	Construction hiring		
15	General hiring		
16	Sales or use tax		



# How to Get California Tax Information

(Keep This Page For Future Use)

## Where to Get Income Tax Forms

**By Internet** – If you have Internet access, you may download, view and print 1994 through 1998 California tax forms and publications. Our Internet address is:

<http://www.ftb.ca.gov>

**By phone** – Use F.A.S.T. to order 1996, 1997 and 1998 California personal income tax forms, 1998 California corporate tax forms and 1998 federal forms. To order a form:

- Refer to the list in your tax booklet and find the code number for the form you want to order.
- Call (800) 338-0505 and follow the instructions.

Please allow 2 weeks to receive your order. If you live outside California, please allow 3 weeks to receive your order.

**In person** – Most libraries, post offices and banks provide free California personal income tax booklets during the filing season. Many libraries and some quick print businesses have forms and schedules for you to photocopy (you may have to pay a nominal fee). Note that employees at libraries, post offices, banks and quick print businesses cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Economic Development Area Information

Further information about LARZ tax incentives is available from:

FRANCHISE TAX BOARD  
ECONOMIC DEVELOPMENT AREA  
INFORMATION  
Telephone: (916) 845-3464  
FAX: (916) 845-0415

## Your Rights as a Taxpayer

Our goal at the Franchise Tax Board is to make certain that your rights are protected so that you will have the highest confidence in the integrity, efficiency and fairness of our state tax system. FTB Publication 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers' Rights Advocate Program and how you can request written advice from the FTB on whether a particular transaction is taxable. See "Where to Get Income Tax Forms" on this page for how to get Pub. 4058.

## General Toll-Free Phone Service

**Between January 4 – April 15, 1999**, our general toll-free phone service is available:

- Monday – Friday, 6 a.m. until midnight; and
- Saturday, 8 a.m. until 5 p.m.

**After April 15, 1999**, our general toll-free phone service is available:

- Monday – Friday, 7 a.m. until 8 p.m.

The best times to call are before 10 a.m. and after 6 p.m. Times of day are Pacific Standard Time (PST).

From within the United States, . . . . . (800) 852-5711  
From outside the United States, . . . . . (916) 845-6500 (not toll-free)

For hearing impaired with TDD . . . . . (800) 822-6268

For federal tax questions, call the IRS at . . . . . (800) 829-1040

## Asistencia Bilingüe en Español

Para obtener servicios en Español y asistencia para completar su declaración de impuestos/formularios, llame al número de teléfono (anotado arriba) que le corresponde.

## Letters

If you find it necessary to write rather than call, please address your letter to:

RESOURCE DEVELOPMENT SECTION  
FRANCHISE TAX BOARD  
PO BOX 1468  
SACRAMENTO CA 95812-1468

Please allow 6 to 8 weeks for a reply. Include your California identification number and daytime telephone number on all correspondence.

## Field Offices

You can get information, California tax forms and resolve problems on your account if you visit one of our field offices.

Field Office	Address
Bakersfield	1800 30th St, Ste 370
Burbank	333 N Glenoaks Blvd, Ste 200
Fresno	2550 Mariposa St, Rm 3002
Long Beach	4300 Long Beach Blvd, Ste 700B
Los Angeles	300 S Spring St, Ste 5704
Oakland	1515 Clay St, #3N-305
Sacramento	3321 Power Inn Road, Ste 250
San Bernardino	464 W 4th St, Ste 454B
San Diego	5353 Mission Ctr Rd, Ste 314
San Francisco	455 Golden Gate Ave, Ste 7400
San Jose	96 N Third St, 4th Fl
Santa Ana	600 W Santa Ana Blvd, Ste 300
Santa Rosa	50 D St, Rm 130
Stockton	31 East Channel St, Rm 219
Ventura	4820 McGrath St, Ste 270
West Covina	100 N Barranca St, Ste 600

## Out of State Offices

Chicago	1 N Franklin, Ste 400 Chicago IL 60606-3401
Long Island	1325 Franklin Ave, Ste 560 Garden City NY 11530
Houston	1415 Louisiana, Ste 1515 Houston TX 77002-7351
Manhattan	1212 Ave of the Americas, 4th Fl New York NY 10036-1601



# F.A.S.T. Toll-Free Phone Service

(Keep This Page For Future Use)

Call Fast Answers about State Taxes, the F.A.S.T. toll-free phone service you can use to:

- Find out about your current year tax refund;
- Order most California and federal income tax forms; and
- Hear recorded answers to many of your questions about California taxes.

F.A.S.T. is available in English and Spanish to callers with touch-tone telephones.

## How To Use F.A.S.T.

Have paper and pencil ready to take notes.

Call from within the

United States . . . . . (800) 338-0505

Call from outside the

United States (not toll-free) . . . (916) 845-6600

## To Find Out About Your Current Year Personal Income Tax Refund

You should wait at least 8 weeks after you file your tax return before you call to find out about your refund. You will need your social security number, the numbers in your street address, box number or route number, and your ZIP Code to use this service. Refund status information is available from 6 a.m. until midnight Monday through Friday except state holidays and 6 a.m. until 10 p.m. Saturday and Sunday. Call the F.A.S.T. number, select refund information and follow the recorded instructions.

## To Obtain Your Personal Income Tax Balance Due and Payment Information

You should wait at least 45 days from the date you mailed your payment before you call to verify receipt of your payment. You will need your social security number, the numbers in your street address, box number or route number, and your ZIP Code to use this service. Personal income tax balance due and payment information is available from 6 a.m. until midnight Monday through Friday except state holidays and 6 a.m. until 10 p.m. Saturday and Sunday.

## To Order Forms

See "Where to Get Income Tax Forms" on page 25. For personal income tax forms, this service is available from 6 a.m. until midnight Monday through Friday except state holidays and 6 a.m. until 10 p.m. Saturday and Sunday. Corporate tax forms are available from 6 a.m. until 6 p.m. Monday through Friday.

## To Hear Answers To Your California Tax Questions

Recorded answers to your tax questions are available 24 hours a day, 7 days a week. To receive answers to any of the following questions, call the F.A.S.T. number, select general tax information and enter the 3-digit code when instructed to do so.

Times of day are Pacific Standard Time (PST).

## Personal Income Tax Information

### Code – Question

#### Filing Assistance:

- 100 – Do I need to file a return?
- 111 – Which form should I use?
- 112 – How do I file electronically and get a fast refund?
- 200 – Where can I pick up a form today?
- 201 – How can I get an extension to file?
- 202 – There is no envelope in the booklet. Where do I send my return?
- 203 – What is and how do I qualify for the nonrefundable renter's credit?
- 204 – I never received a Form W-2. What do I do?
- 205 – I have no withholding taken out. What do I do?
- 206 – Do I have to attach a copy of my federal return?
- 207 – Should I file my return even though I do not have the money to pay?
- 208 – How do I figure my estimate tax payments?
- 209 – I lived in California for part of the year. Do I have to file a return?
- 210 – I do not live in California. Why do I have to file a return?

- 211 – How do I figure my IRA deduction?
- 212 – How do I claim my disaster related loss?
- 215 – Who qualifies me to use the head of household filing status?
- 216 – I'm due a refund. Do I still need to file a return?
- 217 – I am currently/was in the military. Do I have to file a California return?
- 218 – I'm in the military. Do I have to use the same filing status as federal?
- 219 – I sold my personal residence. How do I report the sale to California?
- 220 – There is no difference in my state and federal depreciation, business income and capital gain income. What do I do?
- 221 – What is community property?
- 222 – How much can I deduct for vehicle license fees?
- 227 – How do I get a refund of excess SDI?
- 239 – Where can I get help with filing my income tax return?
- 240 – Does a tax return have to be filed for a deceased taxpayer?

#### Refunds:

- 300 – My spouse has passed away. You sent a refund with both our names on it. What do I do?
- 301 – I got a letter saying you sent my refund to another agency. Why?

#### Penalties:

- 400 – I have an extension of time to file my return. Why did I get a penalty?
- 401 – I filed my return on time. Why did I get a penalty?
- 402 – How can I protest a penalty?
- 403 – What is the estimate penalty rate?

#### Notices and Bills:

- 500 – I received a bill and I cannot pay it in full. What do I do?
- 501 – Why didn't you give me credit for my withholding?
- 502 – You didn't give me credit for my child as a dependent. What do I do?
- 504 – I'm head of my house. Why was I denied head of household filing status?
- 505 – Why was my IRA deduction denied?
- 506 – How can I get information about my Form 1099-G?
- 508 – I received a notice that didn't show all payments made. How do I get credit for them?

#### Tax For Children Under 14:

- 601 – Can my child take a personal exemption credit when I claim her or him as a dependent on my return?
- 602 – Federal law limits the standard deduction. Is the state law the same?

#### Miscellaneous

- 610 – Can I pay my taxes with a credit card?
- 611 – What address do I send my payment to?
- 612 – I mailed my return and haven't heard anything. Should I send a copy of my return?
- 613 – I forgot to attach my Form(s) W-2 when I mailed my return. What do I do?
- 614 – I forgot to attach a copy of my federal return. What do I do?
- 615 – How do I get a copy of my state tax return?
- 616 – What should I do if my federal tax return was examined and changed by the IRS?
- 617 – What are the current interest rates?
- 619 – How do I report a change of address?

## Corporation Franchise and Income Tax Information

### Code – Question

#### Filing Assistance

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100?
- 717 – What are the tax rates for corporations?

- 718 – How do I get an extension of time to file?
- 722 – When do I have to file a short-period return?
- 734 – Is my corporation subject to the franchise tax or income tax?

#### S Corporations

- 704 – Is an S corporation subject to the minimum franchise tax?
- 705 – Are S corporations required to file estimate payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?
- 708 – Where do S corporations make adjustments for state and federal law differences on Schedule K-1 (100S) and where do nonresident shareholders find their California source income on their Schedule K-1 (100S)?

#### Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 735 – How can an exempt organization incorporate without paying corporation fees and costs?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

#### Minimum Tax and Estimate Tax

- 711 – Can I claim my prepayment tax as a credit or estimate payment on my return?
- 712 – What is the minimum franchise tax?
- 714 – My corporation is not doing business; does it have to pay the minimum franchise tax?
- 716 – When are my estimate payments due?

#### Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?
- 728 – Why was my corporation suspended?
- 729 – Why is my subsidiary getting a request for a return when we file a combined report?

#### Tax Clearance

- 724 – How do I dissolve my corporation?
- 725 – What do I have to do to get a tax clearance?
- 726 – How long will it take to get a tax clearance certificate?
- 727 – My corporation was suspended/forfeited. Can I still get a tax clearance?

#### Miscellaneous

- 617 – What are the current interest rates?
- 700 – Who do I need to contact to start a business?
- 701 – I need a state ID number for my business. Who do I contact?
- 702 – Can you send me an employer's tax guide?
- 703 – How do I incorporate?
- 719 – How do I properly identify my corporation when dealing with the Franchise Tax Board?
- 720 – How do I obtain information about changing my corporation's name?
- 721 – How do I change my accounting period?
- 737 – Where do I send my payment?
- 738 – What is electronic funds transfer?
- 739 – How do I get a copy of my state corporate tax return?
- 740 – What requirements do I have to report municipal bond interest paid by a state other than California?
- 750 – How do I organize or register an LLC?
- 751 – How do I cancel my registration as an LLC?
- 752 – What tax forms do I use to file as an LLC?
- 758 – If a corporation converted to an LLC during the current year, is the corporation liable for tax as a corporation and an LLC tax/fee in the same year?